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AUG 21 2009
PUBLIC SERVICE
COMMISSION

August 21, 2009

Jeff R. Derouen, Executive Director
Attn: Aaron Greenwell
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Re: Net Merger Savings Credit Balancing Adjustment Factor

Gentlemen:

Pursuant to Kentucky Power Company's Net Merger Savings Credit Tariff, the Company is to annually calculate the Balancing Adjustment Factor (B.A.F.) to reconcile any over- or under-distribution of the net savings from prior periods. Enclosed for filing are the original and ten copies of the Company's Revised Net Merger Savings Credit Tariff, Sheet No. 23-1. Also enclosed are ten copies of the Company's calculation of the Net Merger Savings Credit B.A.F. for the period October 2009 through July 2010.

The B.A.F. was determined by first calculating the difference between the amount actually distributed to the customers and Year 9's net savings estimated to be distributed pursuant to the Company's net merger tariff (see attached page 2 of 7).

Next, the Company compared the actual B.A.F. savings distributed to customers with the B.A.F. savings that were estimated to be distributed to customers pursuant to the Company's August 22, 2008 filing (see page 3 of 6).

These two results were added together to calculate the Net B.A.F. amount on Line 3, page 1 of 7. Then, the Net B.A.F. amount was divided by the forecasted kWh sales for the months October 2009 through July 2010. This result was then added to Year 10's Merger Savings Factor per the Net Merger Savings Tariff. The combined Net Merger Savings Credit Factor and B.A.F. to be applied for the October 2009 through July 2010 billing is \$(0.000734) per kWh. The Company is requesting to place this

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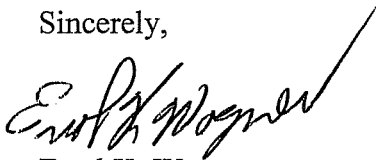
FINANCIAL ANA

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Net Merger Savings Credit Factor of \$(0.000734) into effect on September 28, 2009, which is Cycle 1 of the October 2009 revenue month.

As is customary, upon approval of the tariff, please return a copy to the Company at the address shown above. Should you have any questions concerning the enclosed information, please call me at 502/696-7010.

Sincerely,

A handwritten signature in black ink, appearing to read "Errol K. Wagner", with a long, sweeping horizontal line extending from the end of the signature.

Errol K. Wagner
Director of Regulatory Services

Enclosures

cc: Hon. Mark Overstreet